



EXECUTIVE BOARD DECISION

REPORT OF:	Executive Member for Resources
LEAD OFFICERS:	Director of Finance and Customer Services
DATE:	9 th August 2018

PORTFOLIO/S AFFECTED:	Resources
WARD/S AFFECTED:	All
KEY DECISION:	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>

SUBJECT: CORPORATE CAPITAL BUDGET AND BALANCE SHEET MONITORING REPORT 2018/19 – Quarter 1 (3 months to 30th June 2018)

1. EXECUTIVE SUMMARY

To report the overall financial position of the Council in respect of the capital programme as at 30th June 2018, highlighting key issues and explaining variations in the first 3 months of the financial year.

2. RECOMMENDATIONS

The Executive Board is asked;

- to approve the revised capital programme as per Appendix 1,
- to approve the variations to the programme shown in Appendix 2

3. BACKGROUND

All portfolios are required to examine their capital budget position on a monthly basis.

4. KEY ISSUES & RISKS

a) The projected aggregate cost of the Council's capital investment programme for 2018/19 has now increased from £25.844 million, as approved by Finance Council on 26th February 2018, to £37.066 million. The net variation of £11.222 million (detailed in Appendix 2) reflects;

- requested variations to the programme following the finalisation of the outturn position for 2017/18 (£4.398million) and
- variations made to reflect the approval of schemes during the first quarter of the year (£6.824million).

b) As at 30th June 2018, the capital expenditure across the portfolios was £1.958 million (5.28% of the current, revised projected spend).

c) The estimate of capital receipts expected in 2018/19 is £2.729 million; to date £325,000 has been received.

5. POLICY IMPLICATIONS

The information contained within the report accords with the capital strategy and the three year budget forecast within the Medium Term Financial Strategy 2018-21, as approved at Finance Council on 26th February 2018.

6. FINANCIAL IMPLICATIONS

6.1 CAPITAL PROGRAMME

The variations in projected spend and resource availability for 2018/19 are summarised by portfolio in Appendix 1. Variations in spending are set out in Appendix 2.

The capital programme for 2018/19 has increased by £11.222 million in the first quarter; £4.398 million of this relates to the slippage reported in the 2017/18 outturn report presented to Executive Board in July. The other main points to note are as follows:

6.1.1 Environment

Brown Street Car Park Extension

Brown Street car park opened in November 2016 and is now the busiest flat surface, pay and display car park operated by the Council. There is a demand for additional parking permits on the site however, the Council has not been able to meet this demand as it would impact on the pay and display customers who use the car park. Approval was given for an extension at Executive Board in February 2018 at a cost of £100,000,

The works were tendered through the framework and the contract was awarded to the lowest priced tender. The approved tendered cost for the scheme, including fees, is £160,000. Approval is therefore sought to add this scheme to the capital programme at the increased cost of £160,000. Income generated from the additional car parking spaces will be used to cover the costs of the scheme.

6.1.2 Regeneration

Transport schemes

The variations reported in both the current and the future years' programme reflect the latest position reported in the Transport Plan 2018/19 that was approved at Executive Board in March 2018 for the following capital schemes:

- Local Transport Plan
- Growth Deal 3 (Pennine Gateways)
- Darwen East Corridor

As reported to Executive Board on 5th July 2018, a further virement of £750,000 has been included in the future years programme in respect of the Reel Cinema Scheme to fund the required public realm works in Jubilee Square.

Birch Hall Avenue Diversion

Further grant of £78,000 has been secured from the Environment Agency to complete the drainage works at Birch Hall Avenue. Approval is sought to increase the capital programme by this amount.

Reel Cinema Scheme

At Executive Board on 5th July 2018 approval was granted to increase the current scheme by £3.5 million. £2.75 million of the increase is required to cover the undercroft car park and infrastructure works and this will be funded by main programme borrowing. A further £750,000 has been vired from

the future years Local Transport Plan programme to cover the costs of the public realm works on Jubilee Square.

Land Release Fund

The Ministry for Housing, Communities and Local Government has approved the bid for Land Release Grant Funding at three sites in the Borough. The grant funding totals £737,000 and approval is sought to add this to the Capital programme.

Milking Lane

At the Executive Board in July, approval was received for the Council to invest in a Special Purpose Vehicle (SPV) as a minority shareholder, alongside a local developer (who will be the majority shareholder), for the purposes of acquiring and preparing the site for development and for disposing of the land in parcels to 3rd parties for development.

Approval is sought to add £500,000 to the programme in respect of this scheme.

6.1.3 Resources

Corporate ICT - Desktop Refresh

This scheme relates to the replacement of all corporate devices; the majority of end user devices are now between 4 and 6 years old and are not covered under warranty, with many of them having reached the point where they are no longer fit for purpose and are costing the Council time and money in maintenance. As we move forward with different technologies, the necessity to ensure our workforce is suitably equipped with flexible IT solutions becomes greater. In January 2020 Windows 7 will no longer be supported, making it imperative that the Local Authority upgrades to Windows 10. The scheme was approved at Executive Board in June 2018 and is estimated to cost £1.875 million. Approval is now sought to formally add this scheme to the capital programme.

Corporate ICT Replacement Infrastructure

It has been approximately five years since the last overhaul of the core infrastructure and subsequently there are several areas of the existing infrastructure that are due to be renewed or replaced, with the majority required within the current financial year. There will be further works required over the next five years to further maintain and/or enhance the existing infrastructure however the areas to be addressed in the current financial year include;

- Internal Firewalls
- WiFi
- Virtual platform and storage
- Netscalers
- Lync/Skype for business
- Citrix Server Farm

This scheme was approved at Executive Board in June 2018 and is estimated to cost £950,000 in 2018/19; approval is now sought to formally add this scheme to the capital programme.

6.1.4 Schools and Education

A request is made to add the variations detailed in Appendix 2 to the Capital Programme. These schemes were approved at the Executive Board meeting in April 2018.

6.2 CAPITAL RECEIPTS

Actual capital receipts at the end of June 2018 were £325,000; all of these receipts will be utilised in support of the Minimum Revenue Provision.

6.3 BALANCE SHEET POSITION

6.3.1 Overview

Good balance sheet management assists in the effective use and control over the Council's assets and liabilities. Key assets comprise the Council's tangible fixed assets, debtors, investments and bank balances. Key liabilities include long and short-term borrowing, creditors and reserves.

6.3.2 Non-current Assets

Tangible non-current assets include property, plant and equipment held by the Council for use in the production or supply of goods and services, for rental to others or for administrative purposes. Property assets are the responsibility of the Resources portfolio. One fifth of all assets are re-valued every year, and annual reviews are undertaken to establish whether any impairment or other adjustments need to be applied. New assets, and enhancements to existing assets, are managed by way of the capital programme, as reported in Appendix 1.

6.3.3 Borrowing and Investments

Long term borrowing requirements flow from the capital programme. Regular dialogue and meetings take place between the Director of Finance and Customer Services, her staff and the Council's independent Treasury consultants Arlingclose, and options for optimising borrowing requirements are actively reviewed.

The Council has continued its strategy of financing capital expenditure through short term borrowing whilst interest rates have remained low; the last long term borrowing arrangements were put in to place over three years ago. Interest rates are now starting to increase slightly beyond the levels anticipated in setting the 2018/19 budget; this may increase costs for the Council. Projections indicate that there may be an additional £110,000 in borrowing costs, which may increase if interest rates or borrowing needs increase by more than that currently expected or, if it is determined that it is more prudent in the medium term to take more long term borrowing.

Lancashire County Council's latest forecast for debt interest charges on debt owed to them arising from the reorganisation 20 years ago, has resulted in a £33,000 saving compared to our original budget.

The current borrowing and investment position is as follows:

	Amounts at 30/06/2018 £'000	Amounts at 31/03/2018 £'000
Short term borrowing	69,000	85,000
Long term borrowing	122,100	125,300
Transferred debt re Local Government Re-Organisation	15,400	15,400
Recognition of debt re PFI arrangements	66,400	66,800
Investments made by the Council	21,400	33,700

The totals include the debt recognised on the balance sheet as a result of accounting adjustments in

respect of bringing the BSF school buildings in to use which are financed through PFI arrangements. These adjustments are made to ensure that the Council's effective control over, and use of, these assets is recognised with corresponding adjustments to the debt. These changes do not add to the costs faced by the Council Tax payer as the actual capital costs for these schools form part of the ongoing stream of payments made to the PFI contractor (which are in turn largely offset by PFI grant funding from the Government).

6.3.4 Debtors

The Council has a corporate debt policy as well as other specific policies for the management of debt in the key areas of council tax, business rates and housing benefit overpayments. The table below summarises the collection performance of the various categories of debt and the total outstanding debt in the respective areas at a single point in time, i.e. 30th June 2018. The table also shows the corresponding level of debt at the same point in the last financial year.

	Position at 30/06/18	Position at 30/06/17
Council tax		
Current year arrears (£000)	44,518	40,664
Previous year arrears (£000)	10,267	9,514
Total Council tax arrears	54,785	50,178
Collection rates	25.5%	27.88%
Business rates		
Current year arrears (£000)	31,838	33,530
Previous year arrears (£000)	3,066	3,254
Total Business rates arrears	34,904	36,784
Collection rates	31.4%	29.7%
Housing Benefit		
Overpayments balances (£000)	2,408	2,744

7. LEGAL IMPLICATIONS

The Council has a duty to ensure it can deliver a balanced budget. The Local Government Act 2003 imposes a duty on an authority to monitor its budgets during the year and consider what action to take if a potential deterioration is identified.

8. RESOURCE IMPLICATIONS

None.

9. EQUALITY AND HEALTH IMPLICATIONS

Please select one of the options below. Where appropriate please include the hyperlink to the EIA.

Option 1 Equality Impact Assessment (EIA) not required – the EIA checklist has been completed.

Option 2 In determining this matter the Executive Member needs to consider the EIA associated with this item in advance of making the decision. (*insert EIA link here*)

Option 3 In determining this matter the Executive Board Members need to consider the EIA

associated with this item in advance of making the decision. *(insert EIA attachment)*

10. CONSULTATIONS

None

11. STATEMENT OF COMPLIANCE

The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

12. DECLARATION OF INTEREST

All Declarations of Interest of any Executive Member consulted and note of any dispensation granted by the Chief Executive will be recorded in the Summary of Decisions published on the day following the meeting.

VERSION:	V2
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CONTACT OFFICER:	Gaynor Simons (Ext 5635) Julie Jewson (Ext 5893)
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DATE:	24 th July 2018
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BACKGROUND PAPER:	N/A
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